

*Social Security*

SOCIAL SECURITY COVERAGE FOR NEW FEDERAL EMPLOYEES  
AND IT'S IMPACT ON THE CIA

I. BACKGROUND

A. The recent enactment of the Social Security Amendments of 1983 requires that all new federal employees hired after 31 December 1983 must be covered under Social Security. In addition to establishing mandatory Social Security coverage for new federal employees, this legislation removed the previous statutory prohibition against federal employees concurrently participating in civilian federal retirement systems. Under current provisions of federal civilian retirement system law, all regular civilian federal employees must participate and contribute to applicable civilian retirement plans. Effective 1 January 1984 therefore, all new hires must participate in both Social Security and current federal retirement systems until such a time as retirement system statutes are amended.

B. In the same timeframe that the Social Security Amendments of 1983 were being considered in the Congress, the Administration expressed the intention of introducing companion legislation for the institution of a new supplemental retirement system for these new employees. This new plan would require lower employee contributions and lower future benefit pay-offs than current federal retirement plans. Unfortunately, the Administration has not introduced any legislation proposals relative to the supplemental plan as of this time.

C. Action has recently been initiated in both the Senate (Governmental Affairs Committee) and the House (Post Office Committee) for in-depth studies of pension systems leading to the development of a supplemental plan appropriate to the needs of future federal employees.

## II. GENERAL EFFECTS OF SOCIAL SECURITY COVERAGE OF NEW EMPLOYEES

### A. Under Current Statutes and Under the Concepts of the Administration's Supplemental Plan

#### 1. Increased Cost of Coverage to Employees

a. Under present circumstances cost for retirement related programs for new employees hired after 31 December 1983 will increase from the current 7% of salary to 12.7% (5.7% Social Security and 7% federal retirement).

b. Under the Administration's supplemental plan the employee payroll costs would be 11.3% (5.7% for Social Security and 5.6% for the supplemental plan). According to statements before the House Post Office and Civil Service Committee by Dr. Donald Devine, Director, Office of Personnel Management, the supplemental plan would incorporate the same "reforms" proposed for the regular Civil Service retirement system which would impose severe penalty reductions in annuities for early retirement before age 65. The comparative impacts on CIA employees should this approach be adopted are presented in Tab \_\_\_\_.

## 2. Other Effects on Work Force Management

a. Essentially eliminate inducements for early retirement by employees who decide to spend a working career in the federal service. Retirement can be expected at 65 years of age or later, with 35 to 40 years of service to qualify for full annuity pay-offs.

b. Establish the portability of Social Security coverage from federal employment to private sector careers. The experience and training gained at government expense will greatly stimulate movement of mid-level and younger employees from federal service to non-government competitors offering higher salaries and more attractive retirement plans.

### III. SPECIFIC IMPACTS ON CIA AND NEEDS OF THE AGENCY

#### A. Early Retirement as a Management Tool in the CIA

The CIA has a long established policy which encourages employees to retire at ages substantially earlier than elsewhere in government. The average retirement age in CIA in 1982 was 56.9 under Civil Service and 52.8 under the Central Intelligence Agency Retirement and Disability System (CIARDS).

This policy has been based on recognition that the Agency's vital missions require that the corps of careerists perform their operational, analytical or support duties with sustained high motivation and undiminished effectiveness from their initial entry assignment throughout a preferably brief career of 20 to 30 years. The early retirement provisions of the Civil Service Retirement and CIARDS systems have served the Agency exceedingly well to attract new

recruits, provide timely career progression, and encourage retirement of personnel when Agency management prefers that they retire. Extension of the retirement age for full annuities would seriously impair the ability of Agency management to maintain the employee flow-through which is essential to maintaining maximum effectiveness in meeting requirements.

The predictability of early retirement has provided Agency management with the ability to offer our personnel essential developmental assignments and promotion within reasonable timeframes to reward excellence of performance. The institution of retirement changes whereby full benefits would not accrue until age 65 would impose prohibitive penalties for early retirement and result in extreme blockages both as regards developmental assignments, promotion headroom, and the resultant extension of service of large numbers of employees well beyond their currency in the state-of-the-art in substantive areas and their capacity to handle the milieu of clandestine operations.

#### B. Recruitment of New Employees

1. The Agency recruits approximately 900 new technical and professional employees each calendar year. In spite of numerically high numbers of job seekers in the labor market because of economic conditions, the specific types and caliber of people sought by the Agency are extremely difficult to recruit. Particular problems are encountered in a wide spectrum of high competition areas for critically needed subject and area analysts, computer specialists, advanced scientific and high technology personnel, communications specialists and operations officer trainees.

The majority of the Agency's recruits for experienced professional area experts, economic, political and military intelligence analysts, and scientific and technical analysts are drawn from the ranks of private enterprise and/or academic and research facilities. The inducement to join CIA is made up of a combination of interests in serving the Nation in a vital capacity, the opportunity for a career where their experiences and knowledge will be fully utilized, reasonable compensation, and retirement at a relatively young age permitting a return to academia or other pursuits.

2. The Career Trainee Program, which provides the entry group for young operations officers, must necessarily be highly selective from among the best qualified and most sought after young people from the graduate schools of the Nation. Even with continuous special and concentrated recruitment efforts to attract qualified career officer trainees it is extremely difficult to recruit the types and numbers of these young people that we need to meet our requirements. This difficulty is occurring in spite of the attractiveness of the current Agency career development programs, which offer opportunity for desirable rotational assignments, timely promotion, and the prospects of future retirement with a full annuity under CIARDS at a relatively young age (50) after a minimum of 20 years of service.

3. The Agency's ability to meet its "new hire" requirements will be critically weakened by any dilution of the combined career and benefit "package" currently available. The cost of Social Security coverage and the supplemental retirement system to new employees would total 11.3% of salary, and this could be exacerbated by a possible 12.7% cost for Social Security and interim coverage under current Civil Service. There is no doubt that a sizable increment of qualified and interested young officer candidates would decline employment

simply because of these cost factors. An additional number of candidates would lose interest as the prospect of affordable future retirement was extended to age 65.

4. While the option for early retirement can be anticipated within the Administration's proposed supplemental retirement plan, we must expect prohibitive annuity reductions for such an election. Early retirees would be faced with a fragmentation of the annuity benefits with a deferral of the full Social Security portion until age 65 (66 in the year 2009 and 67 by the year 2027). An estimated comparison of employee costs, options, and retirement benefits under current Civil Service retirement provisions with those under Social Security and the probable provisions of a supplemental plan are presented in Tab \_\_\_\_.

5. The recruitment of both analytical and operational personnel is conducted in a most competitive market. The combined attractiveness of the Agency's current opportunity and benefits package has greatly assisted in offsetting the high cost of living in the Washington area and the relatively low starting salaries (1982 average annual salary was approximately \$23,500) per year for approximately 900 new professionals and technical recruits.

C. The Extension of Retirement Age for Full Annuities and Other Impacts

Mandatory Social Security coverage and the lengthening of service of new Agency employees by up to ten years would create the following problems as regards maintenance of the quality of personnel so essential to meeting our requirements:

1. Create severe future blockages in all career paths and seriously impair the ability of Agency management to move promising individuals up through needed rotational and developmental assignments.

2. Essentially dry up promotion headroom in future years as employees defer their retirement to age 65 with 35 to 40 years of service.

3. The CIA Retirement and Disability System was established by law in 1964 in recognition of the special circumstances of service with the Clandestine side of the Agency abroad. This special retirement system offers nonreduced annuities for members (approximately 20 percent of the work force) at age 50 with 20 years of service. The circumstances of frequently dangerous and adverse working and living conditions can lead to early burnout or compromise of personnel carrying out the overseas activities of the Agency. The absence of early retirement incentives for these employees would be severely incompatible with effective staffing of our overseas stations.

4. Personnel who join CIA on or after 1 January 1984 will, under current CIARDS provisions, remain eligible for participation in this system when qualifying conditions are satisfied. The substantial Social Security contributions by both the individual and the Agency will not, however, be recoverable for transfer to the CIARDS fund as are Civil Service Retirement funds under current law.

5. The portability of Social Security coverage, combined with experience and training gained at government expense will stimulate midlevel employee movement to private sector employment.

6. Increased turnover from the ranks of intelligence personnel will make it increasingly difficult to safeguard national security information.

7. Inclusion of CIA personnel whether overt, covert or potentially covert in the Social Security data base poses severe security risks in terms of protecting the identities of individuals under cover and the access by unauthorized persons to complete listings of all CIA personnel.

#### IV. ACTIONS TAKEN AND RESULTS OF PRESENTATIONS OF CIA'S MANAGEMENT NEEDS TO KEY ADMINISTRATION AND CONGRESSIONAL OFFICIALS

##### A. Actions Taken

1. During the period January through May 1983, the Agency has worked closely with the Senate Select Committee on Intelligence and the House Permanent Select Committee on Intelligence to insure the retirement program needs of the CIA and our employees are understood. Both the potential problems inherent in the Social Security amendments and the more extensive problems associated with the President's "reforms" proposed in the FY-1984 budget were stressed in a number of briefings held with Congressional Staff members. A series of memorandums were also forwarded providing detailed information. See Tab \_\_\_\_.

2. The Director discussed his concerns with the President and key Congressional and Administration officials.



## B. Responses to Actions Taken

1. Top Congressional leaders were unanimous in their support of the Social Security Amendments of 1983 and coverage of all new federal employees because of the critical need to provide monies into the Social Security Trust Fund. Informal queries regarding the possibility of exemption of the CIA from the Social Security legislation clearly indicated that exemptions for any Agency would not be supported in the Congress at large.

2. The respect, support, and understanding by both the Senate and House Intelligence Committee Staffs of the CIA's needs for preserving the essential features of the Civil Service and CIARDS system (as regards the current statutory systems and prospective supplemental plans) was consistently evident and most gratifying. Particularly gratifying were formal expressions of support from Representative Edward P. Boland, Chairman of the House Permanent Select Committee on Intelligence (See Tab \_\_\_) and Senator David Durenberger of the Senate Select Committee on Intelligence (See Tab \_\_\_).

## V. OBJECTIVES

Preservation of age and service eligibility and non-reduced annuity provisions for early retirement under the civil service retirement system and the CIARDS, for current on-board employees and; provide similar provisions for future Social Security covered employees in special supplemental plans enacted into law. It is essential that the current early retirement provisions of both the Civil Service and CIARDS systems be retained as vital management tools for the recruitment and maintenance of the type of dynamic workforce essential to meeting CIA requirements.

## VI. PROSPECTIVE ACTIONS

A. The civil service "reform" proposals outlined in the President's FY-1984 budget met such extensive opposition in both the Senate and House in early 1984 that the Administration did not introduce formal legislation. It can be expected that such legislation will be introduced at some future date.

B. The passage of the Social Security Amendments of 1983 without concurrent additional legislation to provide the intended supplemental plan, has now triggered Congressional action in compiling information leading to the development of a supplemental plan. The product of these efforts may not be fully flushed-out until mid-1984 or early 1985 but this interim period can provide the opportunity for the Agency to develop understanding and support for CIA's needs among a broader spectrum within the Administration and the Congress. Such support during the design and development phase of the supplemental plan could assure protection of CIA's interests at the onset and preclude future issues.

C. Action already initiated by the Office of Personnel toward the design of a CIA supplemental retirement plan should be continued to completion with a full plan in hand for future input when Congress begins formulation of the actual provisions of their proposals.